

Final Internal Audit Report

Cemeteries and Crematoria – Cash Handling

December 2024

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Assurance Level	Issues Identified	
Limited	Priority 1	1
	Priority 2	2
	Priority 3	4

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1. The Council is required to accept cash for certain statutory services so not to exclude people who are cash dependant, such as the elderly and traveller community`. However, the Council is also looking to reduce its cash takings to reduce risks of theft and fraud. As a result of this Council-wide approach, Bereavement Services are being asked to reduce the volume of cash payments in favour of card payments.
- 1.2. Although the amounts are not significant and cash handling at the Crematorium site is not a regular occurrence (cash was taken on 34 days during FY2023/24), cash is more vulnerable to theft or fraud than electronic means of payment, and therefore requires more stringent controls. Effective controls over cash collection, retention and banking are necessary to help ensure that all income held by the Council is identified, collected, receipted, and banked properly and promptly.
- 1.3. Petty cash is kept on site at the Crematorium for the purposes of providing change for cash transactions. A total of £50 worth of petty cash was held on Site at the time of the Internal Audit site visit (27 May 2024), of which £20 was stored in the office safe and £30 was stored in a tin held in the general office area.
- 1.4. The Office and Records Manager advised that petty cash is now solely used for providing change for cash payments. Cash payments are required to be logged in Epilogue, the payments system, which will generate a receipt for the customer. Items previously purchased with petty cash are now purchased with a procurement card. Petty cash has not been used for purchases in the past 7 years.
- 1.5. The audit was undertaken as part of the agreed Internal Audit Plan for 2024/25. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Issues

Review of a sample of five cash transactions from the 2023/24 financial year, found no record that the weekly total confirmation had been sought from Revenue Control or retained. **(Issue 2)**

Priority 2 Issues

Croydon's Crematorium Office procedures regarding Cash Handling were out of date, contained incorrect information, had no review schedule and did not outline the reasons for the need for cash to still be in circulation on site. **(Issue 1)**

Evidence of receipts generated for a sample of five cash transactions within the 2023/24 financial year were provided. However, it was not possible to confirm which member of staff administered each transaction, as this is not recorded on receipts. **(Issue 3)**

The Priority 3 recommendations are included under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 1: Regulatory, Organisational and Management Requirements.

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
	Procedure for Daily Banking,	<p>Expected Control</p> <p>Policies and Procedures relating to cash handling at the Crematorium are version controlled, and include a date of issue, date of next review and details of approval. Procedural documentation includes details on how segregation of duties is to be maintained throughout the process of transaction to banking, as well as how cash receipts should be reconciled at each step of the process.</p> <p>Finding/Issue</p> <p>Bereavement Servies at Croydon's Crematorium Office had a <i>Daily Banking (FIS) Procedure</i> (last updated May 2014), <i>Petty Cash Procedure</i> (no date) and <i>Recovery of Cash and small valuables from decease's property searches procedure</i> (last updated October 2020) in place.</p> <p>Review of these procedures noted that:</p> <ul style="list-style-type: none"> - The procedures did not outline acceptable payment methods. In particular, the exceptions where cash will be accepted by the Crematorium office in place of card payments, were not detailed. - Document review schedules were not defined for any of the three procedures. - The Daily Banking Procedure contained out of date information. For example, it stated that cash is transported to 'Taberner House', which was demolished in 2015.
Responsible Officer	Deadline	
Office and Records Manager	October 2024	

		<p>It also states that cash is collected three times a week, but review of the current G4S collection schedule found that this occurred once a week.</p> <p>It was also noted that staff had access to all policies and procedures via the Council SharePoint, however, staff do not need to confirm they have read the policy.</p> <p>Risk</p> <p>If policies and procedures for cash handling are not in clearly defined, staff may undertake activities inconsistently. This may lead to a heightened risk of fraud or error in cash handling, leading to financial loss and reputational damage for the Council.</p>
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Control Area 2: Segregation of Duties & Cash Handling

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
	Awaiting discussion with	<p>Expected Control</p> <p>Each week, Revenue Control sends a banking confirmation to the Crematorium Office by email, which confirms the amount of cash received from the Crematorium Office collection and banked. The Crematorium Office uses this information to conduct a reconciliation between cash collected and cash banked at Bernard Weatherill House (Croydon Council office).</p> <p>Finding/Issue</p> <p>Discussion with the Office and Records Manager noted that Revenue Control should provide weekly confirmation by email that the funds received from the Crematorium Office have been banked (including the amount banked for reconciliation purposes). However, it was advised that, in instances where this confirmation is not received, the Crematorium Office has no process in place for following up with Revenue Control.</p> <p>Review of a sample of five cash transactions (worth between £543 and £1,982) from the 2023/24 financial year found that the Crematorium Office did not have a record of receiving weekly banking confirmation from Revenue Control for any of the relevant five weeks and had not followed up these cases with Revenue Control. As a result, Internal Audit were unable to carry out reconciliation testing of the banking confirmations. Subsequent to audit fieldwork being completed, Revenue Control provided evidence of the cash received, however, they were only able to locate a confirmation email to the Crematorium Office for one week in the sample. The Cash & Control Team Leader indicated this may be because confirmation was sent from personal email addresses rather than the central Cash & Control email address.</p>
	Responsible Officer	Deadline

Office and Records Manager	October 2024	Risk Cash collected by GS4 is not reconciled against cash banked by Revenue Control, resulting in variances going undetected. Where variances are not detected and investigated, there is a risk of financial loss due to error or fraud.
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Control Area 2: Segregation of Duties & Cash Handling

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
	We have liaised with our	<p>Expected Control</p> <p>Transaction receipts provide an audit trail of the member of staff who administered each transaction.</p> <p>Finding/Issue</p> <p>The Office and Records Manager advised that two officers should count the cash received by a customer at the point of the transaction, and a receipt should be generated via Epilogue – the payments system – there and then.</p> <p>The Manager provided receipts for a randomly selected sample of five cash transactions within FY2023/24. However, the receipts did not identify the member of staff who administered the transaction. Epilogue, the payment system which generates the receipts, does not automatically include the name of the member of staff issuing the receipt, nor are staff required to enter this manually, according to the Office and Records Manager.</p>
Responsible Officer	Deadline	Risk
Office and Records Manager	Complete	Where receipts do not identify the member of staff who administered a transaction, it may not be possible to identify the source of irregular transactions, increasing the risk of financial loss due to fraud or error.

Priority 3 Issues

Agreed action	Findings
<p><u>Control Area 2: Segregation of Duties and Cash Handling</u></p> <p><u>Action proposed by management:</u></p> <p>Countersign deputies identified as:</p> <ul style="list-style-type: none"> - Statutory Funeral Office - Grounds Manager <p>Above need to be briefed on requirements. This change needs to be added to FIS work process.</p> <p>All of these areas will be addressed in the revised procedure being complete under the first action.</p> <p><u>Responsible Officer:</u> Office and Records Manager</p> <p>Deadline: October 2024</p>	<p>Expected Control</p> <p>The daily cash transaction reports, which are generated from the <i>FIS</i> system, should be countersigned by the Office and Records Manager to demonstrate oversight of the reconciliations process. Where the Office and Records Manager is unavailable, another nominated member of staff should countersign the reports.</p> <p>Issue/Finding</p> <p>The Daily Banking (FIS) Procedure did not identify an officer to whom responsibility for countersigning the FIS reports can be delegated to in the absence of the Office and Records Manager. The Office and Records Manager confirmed that this responsibility was not formally delegated to another officer in their absence.</p> <p>Risk</p> <p>Where FIS reports are not countersigned in the absence of the Office and Records Manager, there is a risk that reconciliations will not be carried out properly, resulting in fraud or error going unnoticed.</p>
<p><u>Control Area 1: Regulatory, Organisational and Management Requirements</u></p> <p><u>Action proposed by management:</u></p> <p>All staff have signed, and the documents have been scanned to SharePoint.</p>	<p>Expected Control</p> <p>Staff sign and date the <i>Recovery of Cash and Small Valuables from Deceased's Property – Searches' Procedure</i> as stated in the procedure.</p> <p>Staff are periodically (at least annually) asked to re-affirm their understanding and compliance of the procedure.</p>

Agreed action	Findings
<p>This will be updated annually.</p> <p>Responsible Officer: Office and Records Manager</p> <p>Deadline: October 2024</p>	<p>Issue/Finding</p> <p>The <i>Recovery of Cash and Small Valuables from Deceased's Property Searches' Procedure</i> states that staff should sign and date the policy to indicate they have read and understood its contents. The Office and Records Manager advised that when the original process was distributed in October 2020, staff returned signed copies, but no evidence of this was retained.</p> <p>There is also no evidence of staff being reminded of this procedure.</p> <p>Risk</p> <p>Bereavement Services are not able to easily demonstrate that staff understand the process to be followed when conducting deceased property searches, leading to potential malpractice, and reputational damage to the council, or a risk of theft from the deceased's estate.</p>
<p><u>Control Area 1: Regulatory, Organisational and Management Requirements</u></p> <p><u>Action proposed by management:</u></p> <p>See Issue 1.</p> <p>Preferred payment methods will be addressed in the revised procedure being complete under the first action.</p> <p>Responsible Officer: Office and Records Manager</p> <p>Deadline: October 2024</p>	<p>Expected Control</p> <p>The Bereavement team has defined its approach towards different payment methods. This should include outlining where cash payments will be accepted.</p> <p>Issue/Finding</p> <p>Through discussions with the Head of Internal Audit, it was noted that the Council was looking to reduce cash takings and terminate their cash collection contract. As a result, Services were being asked to shift payment to electronic payments (such as card or bank transfer) rather than cash where possible and consider the use of cash as a last resort for vulnerable customers who may not have access to alternative payment methods.</p>

Agreed action	Findings
	<p>A sample of five payments selected for further testing identified two large cash payments (receipt 274445 for £1,041, receipt 274596 for £1,616) from funeral directors. As businesses, it is likely that funeral directors have access to electronic payment methods.</p> <p>Risk</p> <p>Cash payments are accepted unnecessarily, or the volume of cash payments taken is larger than required, increasing the Council's exposure to fraud or error, resulting in financial loss.</p>
<p><u>Control Area 1: Regulatory, Organisational and Management Requirements</u></p> <p><u>Action proposed by management:</u></p> <p>No further action is required. The risk is relatively low as documents do not contain bank details or customer details. In the event of a fire, all electronic versions can be retrieved from the Epilog burial and cremation system. These are printed to manually sign for reconciliations each day.</p> <p><u>Responsible Officer:</u> Office and Records Manager</p> <p><u>Deadline:</u> n/a</p>	<p>Expected Control</p> <p>Physical receipts from cash transactions and FIS reports should be stored securely in a locked cabinet. Where possible receipts should be scanned and stored electronically.</p> <p>Issue/Finding</p> <p>Inspection of how cash transaction summaries are stored on site found these were stored in the general office area, to which all members of staff have access.</p> <p>Risk</p> <p>Where Cash transaction summaries and receipts are not stored securely or backed up electronically there is a risk of potential loss or damage as well as potential fraud.</p>

AUDIT TERMS OF REFERENCE

Cemeteries and Crematoria- Cash Handling

1. INTRODUCTION

- 1.1 The London Borough of Croydon ("the Council") has two cemeteries, a memorial park, and a crematorium.
- 1.2 While the Council has a legal responsibility to provide public health funerals and cremations for children under the age of 10 free of charge, the cemeteries and crematorium generate income from fees for most services, and from the reservation of graves. The full schedule of fees & charges for the current year can be found on the Council's website.
- 1.3 There has been a move towards reducing cash payments across the Council in favour of card payments or bank transfers wherever possible. However, where the Council provides statutory services, it is often not possible to prohibit cash payments altogether, as some residents are cash reliant. This includes some fees & charges for burial and cremation services.
- 1.4 Wherever cash is accepted, it is important that appropriate safeguards are in place to avoid loss of cash due to fraud or error. This should include a daily cash counting exercise, secure cash collections, and regular reconciliations to identify variances between payments logged and cash received. The Council has an appointed private contractor to undertake cash collections.
- 1.5 This audit is part of the agreed Internal Audit Plan for 2024/25.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit for each control / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit will examine the Council's arrangements in relation to income and health & safety for cemeteries and crematoria, and will include the following areas:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements	0	1	1
Segregation of Duties & Cash Handling	1	1	3
Cashing Up	0	0	0
Cash Collection Procedures	0	0	0
Reconciliations & Management Information	0	0	0
Total	1	2	4

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	
Priority 3 (Low)	the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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